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**FISCAL IMPACT STATEMENT**

**LS 6630**

**BILL NUMBER:** HB 1348

**NOTE PREPARED:** Mar 28, 2013

**BILL AMENDED:** Feb 11, 2013

**SUBJECT:** Administration of Scholarships and Grants.

**FIRST AUTHOR:** Rep. Dermody

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) *Credit Hours*: The bill establishes This bill adds definition of "credit hours".

*Academic Term* - This bill makes changes to the definition of "academic term".

*Schedule of Awards* - The bill provides that, beginning on September 1, 2014, the Commission for Higher Education (Commission) shall annually publish a schedule of award amounts for the Frank O'Bannon grant and the Twenty-First Century Scholars Program (jointly referred to as an "Award") based on a recipient's expected family contribution.

*Award Determination* - The bill provides that the method currently used to determine an award amount expires September 1, 2014. It provides that, beginning September 1, 2013, the Commission may offer award incentives based on a student's school performance.

*Frank O'Bannon Grant Eligibility*- The bill provides that an individual is not eligible for a Frank O'Bannon Grant if the individual is eligible to receive a Twenty-First Century Scholarship or a National Guard Grant.

*Length of Awards* -The bill provides that the limit on eligibility is four academic years for:

1. Higher Education Awards;
2. Freedom of Choice Grants;
3. Tuition Grants from the Twenty-First Century Scholars Program;
4. Part-time Student Grant Program;

5. Insurance Education Scholarship Fund;
6. Minority Teacher Scholarships;
7. Special Education, Occupational Therapy, and Physical Therapy Scholarships;
8. Nursing Scholarship Fund;
9. National Guard Tuition Supplement Program;
10. Tuition Exemption for Senior Citizens; and
11. Tuition and fee exemption for the children and surviving spouse of a public safety officer killed in the line of duty. (Current law provides that the limit for eligibility is 8 semesters or 12 quarters.)

*Grade-Point Average* - The bill makes changes to the grade-point average requirements for students who receive a Higher Education Award or participate in the Twenty-First Century Scholars Program.

*Repealers* - The bill repeals provisions relating to:

1. The duties of the Indiana College Placement and Assessment Center; and
2. A requirement that the Commission shall provide a statistical report that describes Twenty-First Century Scholar Awards.

*Degree Map* - The bill adds the definition of "degree map". It provides that, not later than August 1, 2013, the Commission for Higher Education (Commission) shall develop guidelines or rules to provide a state educational institution guidance for establishing degree maps for each full-time student attending the state educational institution. The bill also requires, for a full-time student that enrolls after July 31, 2014, that a state educational institution develop a degree map based on the student's specific educational objective or course of study. It requires a state educational institution to ensure that courses necessary for the student to comply with the student's degree map are available for the student during the academic term in which the student is required to complete the particular course in accordance with the student's degree map.

The bill provides that a state educational institution must provide a course to the student at no cost during the next academic term in which the course is offered if:

1. The state educational institution does not offer a course which the student must take to comply with the student's degree map during the current academic term;
2. The timing of the course conflicts with other courses the student is required to take to comply with the student's degree map for the current academic term; or
3. The course is full.

The bill establishes a Performance Grant for a student that attends a state educational institution if the student earns either a baccalaureate or associate degree on or before the date the student is expected to earn the degree pursuant to the student's degree map. It establishes the Completion Incentive Fund. The bill also provides that the Performance Grant shall be paid for by the Commission from the Completion Incentive Fund.

The bill makes conforming amendments

**Effective Date:** Upon passage; July 1, 2013; September 1, 2013.

**Explanation of State Expenditures:** (Revised) *Credit Hours:* Defining the term credit hours as credit hours used in a traditional semester school should have no fiscal impact.

*Academic Term* - The change to the definition of academic term should have no fiscal impact.

*Length of Awards* - The change from 8 semesters or 12 quarters to 4 academic years would help accommodate schools that have other length of school academic years. The 4 academic years would not have to be consecutive, so there is probably no fiscal impact.

*Frank O'Bannon Grant Eligibility*- The bill would not allow a student to receive a Frank O'Bannon Grant if the individual is eligible to receive a Twenty-First Century Scholarship or a National Guard Grant. The bill would have the cost of the Twenty-First Century Scholarship Program or a National Guard Grant Program to be accurately reflected in the budget process. Currently, the Frank O'Bannon Grant provides funding first and then the Twenty-First Century Scholarship or a National Guard Grant provides additional funding to pay the full cost of tuition and fees. This budgeting method understates the cost of the Twenty-First Century Scholarship Program and the National Guard Grant Program and overstates the cost of the Frank O'Bannon Grant Program. The student would still be eligible for the same benefits, but the costs would be accounted for in the proper program. The provision should have no fiscal impact.

*Schedule of Awards* - The Commission for Higher Education should be able to annually publish a schedule of award amounts for the Frank O'Bannon Grant and the Twenty-First Century Scholars Program based on a recipient's expected contributions within their current resources.

*Award Determination* - The bill provides the Commission with the flexibility to set the scholarship awards at a level that does not overspend the appropriation set by the General Assembly. The changes in the award calculation will take place with FY 2015.

The following is the estimated potential savings to the Frank O'Bannon Grant Program as estimated by the Commission for Higher Education's Division of Financial Aid. The estimates for 2015 are based on the following assumptions:

1. For the base award, the award levels are consistent with those under the current law.
2. The academic honors incentive is for freshmen and grandfathered students only and is valued at \$800. It is estimated that 5,800 freshmen and about 10,000 grandfathered students will receive this incentive.
3. The GPA incentive is valued at \$800.
4. The Associated Degree Incentive is valued at \$800.
5. The Acceleration Incentive is valued at \$1,300.

<b>Frank O'Bannon Grant</b>	<b>Proposed Change</b>	<b>Current Law</b>	<b>Difference</b>
Base Award	\$115.5 M	\$155.5 M	-\$40.0 M
Academic Honors Incentive Bonus	\$13.4 M	\$12.7 M	\$0.7 M
GPA Incentive Bonus	\$16.7 M	N/A	\$16.7 M
Associate Degree Incentive Bonus	\$0.4 M	\$0.6 M	-\$0.2 M
Acceleration Incentive Bonus	\$1.1 M	N/A	\$1.1M
Total	\$147.1 M	\$168.8 M	-\$21.7 M

*Degree Map* - A degree map is to consist of:

1. An academic term-by-term sequence of course options that will allow the full-time student to complete a baccalaureate degree within four academic years or an associate degree within two academic years.
2. The expected date that they will earn their degree.
3. The academic requirements that a student must complete each academic year to timely earn their degree.

The Commission is required to develop the guidelines and rules for establishing the degree maps. The Commission should be able to develop the guidelines with their existing resources.

State education institutions may have some increased cost associated with developing a degree map for each student enrolled at their institution. The impact would depend on how much additional staff and additional computer software might be needed to do the mapping. The degree map program would apply to students who initially enroll in a state educational institution after July 31, 2014.

(Revised) Resident students who graduate on time with a baccalaureate degree could earn a Performance Grant of \$1,000 or they could earn a grant of \$1,500 if they graduate at least one academic term early. The Performance Grant for a student graduating on time with an associate degree is \$750 and \$1,250 if the student graduates at least one academic term early. Grants would be paid from the Completion Incentive Fund which would consist of money appropriated by the General Assembly. Money remaining in the fund at the end of a fiscal year would not revert to the state General Fund but would remain in the fund to make grants. The total grants that could potentially be awarded annually under the program would depend upon appropriations by the General Assembly. The Commission estimates that the impact of the grant program would be small for the initial couple of years. The Commission estimates the impact of the grant program could be about \$69,000 the first year and about \$578,000 for year two. The full impact of the program would not occur for four years. The Commission estimates the impact of the grant program to be about \$9.2 M annually beginning in year four if the program is fully funded.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Commission for Higher Education.

**Local Agencies Affected:**

**Information Sources:** Division of Financial Aid, Commission for Higher Education.

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